

WEBINAR WEDNESDAYS



Wednesday, May 19, 2021

Busting the Black Market: Dismantling Illegal Marijuana Organizations

Presented by:

Darcy Kofol

Senior Deputy District Attorney
18th Judicial District Attorney's Office

Distributed by:

ARIZONA PROSECUTING ATTORNEYS' ADVISORY COUNCIL
3838 N. Central Ave., Suite 850
Phoenix, Arizona 85012

ELIZABETH BURTON ORTIZ
EXECUTIVE DIRECTOR



Busting the Colorado Black Market: Lessons Learned From the Legalization of Marijuana in Colorado

Senior Deputy District Attorney Darcy Kofol

THE COLORADO GREEN WAVE



HISTORY OF MARIJUANA LEGALIZATION IN COLORADO

November 7, 2000

54% of Colorado Voters Approve Amendment 20 for Medical Marijuana



Amendment 20: Section 14 of Article XVIII of the Colorado Constitution

- Allowed patients to use medical marijuana
- Patients could possess up to 2 ounces of medical marijuana
- Patients could cultivate no more than six marijuana plants
 - Only three flowering plants at a time

RED CARDS

- Needed a Doctors Recommendation (different than a prescription)
 - Debilitating Medical Condition
- Cost Approximately \$150
- 10-15 Minute Doctor's Visit
- Originally called a Red Card
- Could be used at any Dispensary in the State
- Online Patient Registry created in 2001
- Colorado Department of Public Health and Education



Caregivers

- "Primary care-giver" means a person, other than the patient and the patient's physician, who is eighteen years of age or older and has significant responsibility for managing the well-being of a patient who has a debilitating medical condition.
- At behest of DEA, there was an informal Rule that Caregivers could only grow for 5 people.



June 2001-June 2008



- 5,993 Patient Application
- 55% Designated Primary Caregiver
 - Average 3 patients per caregiver
- Sensible Colorado sued the State for the informal rule and won in 2007.
 - After the judgement, caregivers were allowed to grow for an indefinite number of patients.

EXTENDED PLANT COUNTS

- For quantities of marijuana in excess of these amounts, a patient or his or her primary care-giver may raise as an affirmative defense to charges of violation of state law that such greater amounts were medically necessary to address the patient's debilitating medical condition.*

\$99.00 for a 12 Plant Count



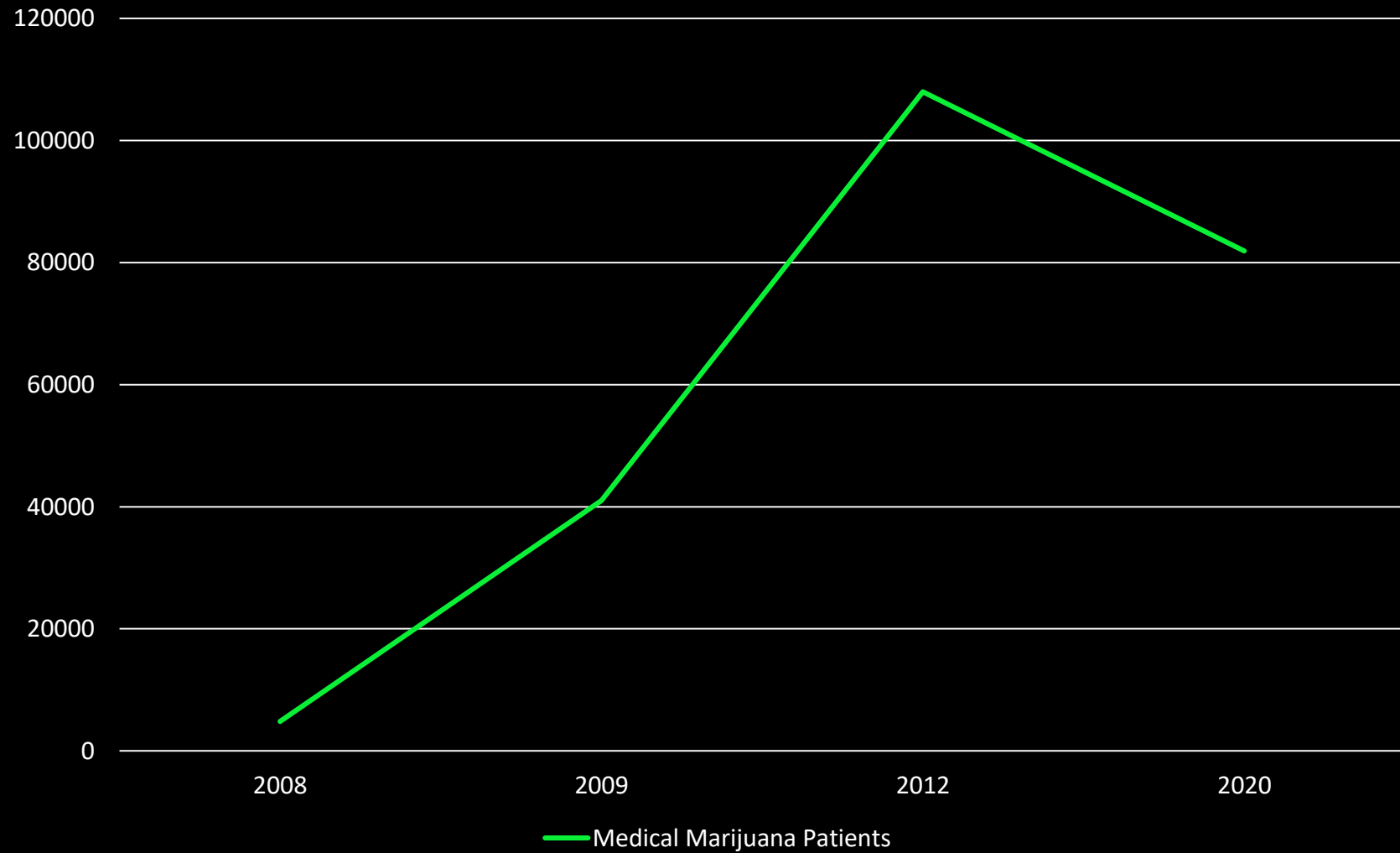
\$500.00 for a 99 Plant Count

OGDEN MEMO

October 19, 2009

- “Not focus federal resources in your state on individuals whose actions are in clear and unambiguous compliance with existing state law providing for the medical use of marijuana.”

Medical Marijuana Patients



Medical Marijuana Dispensaries



AMENDMENT 44

November 2006

An amendment to section 18-18-406 (1) of the Colorado revised statutes making legal the possession of one ounce or less of marihuana for any person twenty-one years of age or older.

”

- 58.92% Voted NO

AMENDMENT 64

Shall there be an amendment to the Colorado constitution concerning marijuana, and, in connection therewith, providing for the regulation of marijuana; permitting a person twenty-one years of age or older to consume or possess limited amounts of marijuana; providing for the licensing of cultivation facilities, product manufacturing facilities, testing facilities, and retail stores; permitting local governments to regulate or prohibit such facilities; requiring the general assembly to enact an excise tax to be levied upon wholesale sales of marijuana; requiring that the first \$40 million in revenue raised annually by such tax be credited to the public school capital construction assistance fund; and requiring the general assembly to enact legislation governing the cultivation, processing, and sale of industrial hemp?

- ◆ regulate the growth, manufacture, and sale of marijuana in a system of licensed establishments overseen by state and local governments;
- ◆ allow individuals who are 21 years old or older to possess, use, display, purchase, transport, and transfer—to individuals who are 21 years old or older—one ounce or less of marijuana;
- ◆ allow individuals who are 21 years old or older to possess, grow, process, and transport up to six marijuana plants, with certain restrictions;
- ◆ require the state legislature to enact an excise tax on marijuana sales, of which the first \$40 million in revenue raised annually must be credited to a state fund used for constructing public schools. The excise tax must be approved by a separate statewide vote; and
- ◆ require the state legislature to enact legislation concerning the growth, processing, and sale of industrial hemp.

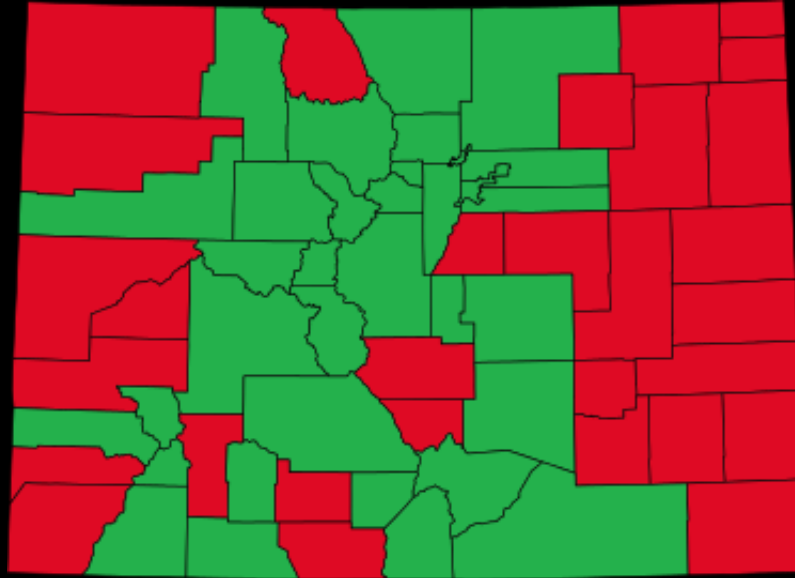
AMENDMENT 64

- Sold to the Public
 - Eliminate a Black Market
 - Increase State Revenue
 - Protect Users
 - Less Arrests
 - Less Teen Marijuana Use



AMENDMENT 64

November, 2012



55.32% Voted Yes

Executive Order B 2012-004

Task Force Created December 12, 2012

- 24 Person Task Force
 - To "consider and resolve a number of policy, legal and procedural issues" with Amendment 64
 - Made up of politicians, DOR, consumers, and lawyers
- March 13, 2013
 - Issued 58 Recommendations concerning the roll out of recreational marijuana




MARIJUANA ENFORCEMENT DIVISION



Cole Memo 2013


- Federal Government would not enforce Federal marijuana prohibition in States that "legalized marijuana in some form and ... implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale, and possession of marijuana."

 U.S. Department of Justice
Office of the Deputy Attorney General

The Deputy Attorney General Washington, D.C. 20530

August 29, 2013

MEMORANDUM FOR ALL UNITED STATES ATTORNEYS

FROM: James M. Cole 
Deputy Attorney General

SUBJECT: Guidance Regarding Marijuana Enforcement

In October 2009 and June 2011, the Department issued guidance to federal prosecutors concerning marijuana enforcement under the Controlled Substances Act (CSA). This memorandum updates that guidance in light of state ballot initiatives that legalize under state law the possession of small amounts of marijuana and provide for the regulation of marijuana production, processing, and sale. The guidance set forth herein applies to all federal enforcement activity, including civil enforcement and criminal investigations and prosecutions, concerning marijuana in all states.

As the Department noted in its previous guidance, Congress has determined that marijuana is a dangerous drug and that the illegal distribution and sale of marijuana is a serious crime that provides a significant source of revenue to large-scale criminal enterprises, gangs, and cartels. The Department of Justice is committed to enforcement of the CSA consistent with those determinations. The Department is also committed to using its limited investigative and prosecutorial resources to address the most significant threats in the most effective, consistent, and rational way. In furtherance of those objectives, as several states enacted laws relating to the use of marijuana for medical purposes, the Department in recent years has focused its efforts on certain enforcement priorities that are particularly important to the federal government:

- Preventing the distribution of marijuana to minors;
- Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs, and cartels;
- Preventing the diversion of marijuana from states where it is legal under state law in some form to other states;
- Preventing state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;

First Prosecution Issues

- Caregivers could claim unlimited numbers of patients
- Very few legal Medical Marijuana operations at that time
- Very difficult for local law enforcement and prosecution
- MED rubber stamped everything

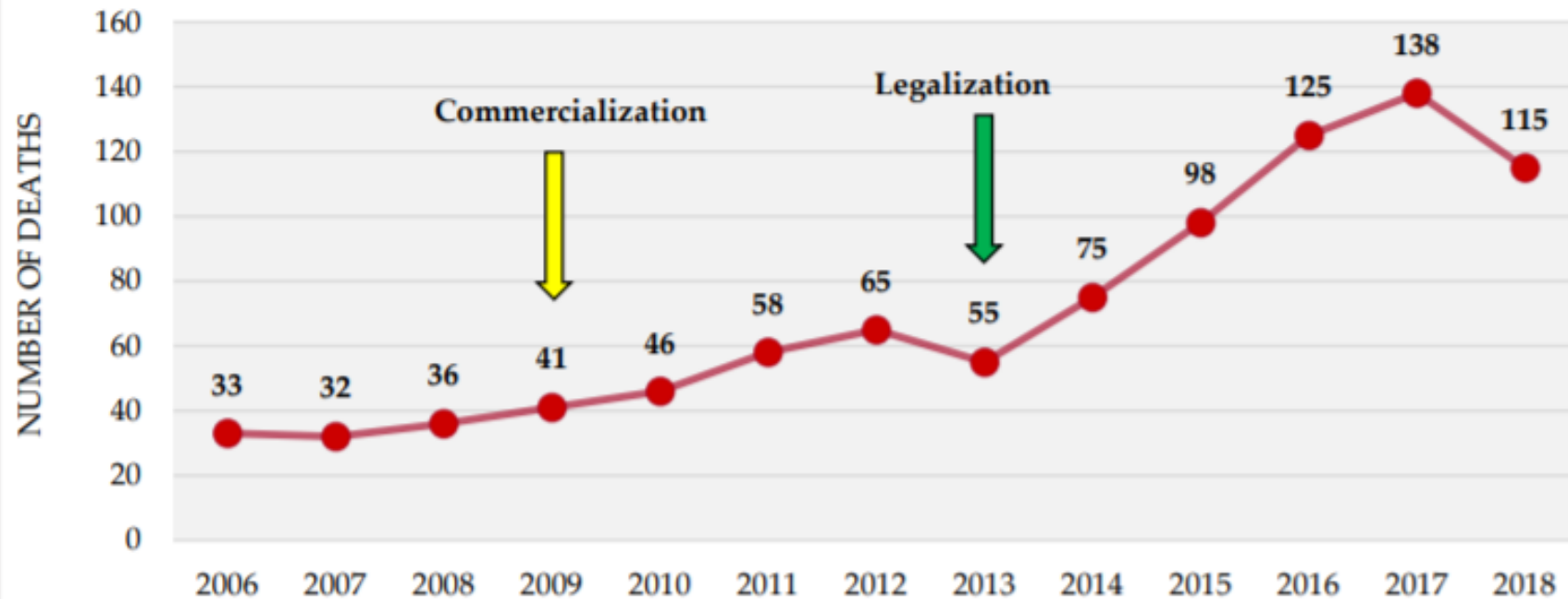


EFFECTS OF LEGALIZATION: DUIs & Teenage Marijuana Use

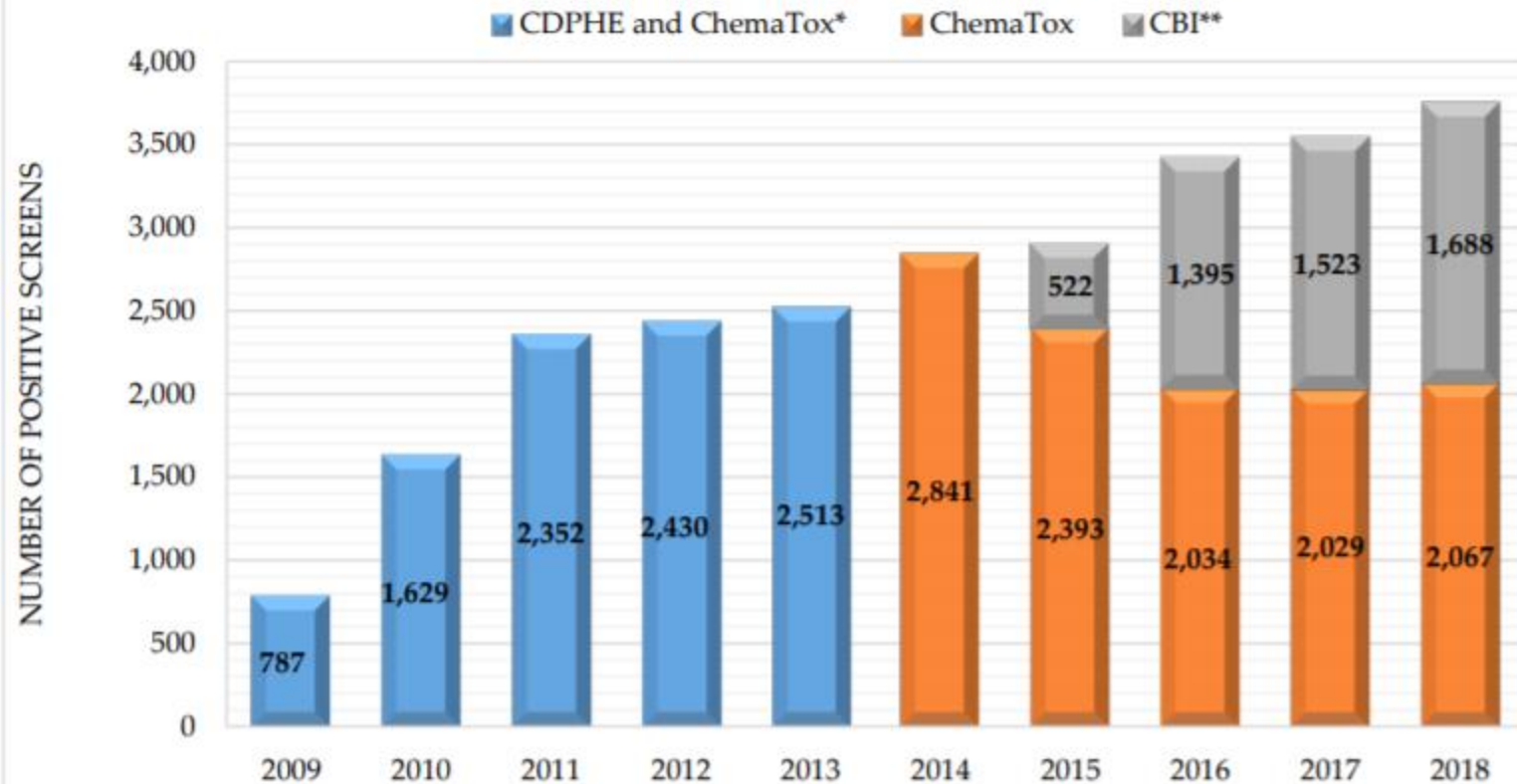
Traffic Deaths Related to Marijuana
When a DRIVER Tested Positive for Marijuana

Crash Year	Total Statewide Fatalities	Fatalities with <u>Drivers</u> Testing Positive for Marijuana	Percentage Total Fatalities
2006	535	33	6.17%
2007	554	32	5.78%
2008	548	36	6.57%
2009	465	41	8.82%
2010	450	46	10.22%
2011	447	58	12.98%
2012	472	65	13.77%
2013	481	55	11.43%
2014	488	75	15.37%
2015	547	98	17.92%
2016	608	125	20.56%
2017	648	138	21.30%
2018	632	115	18.20%

Traffic Deaths Related to Marijuana when a Driver Tested Positive for Marijuana



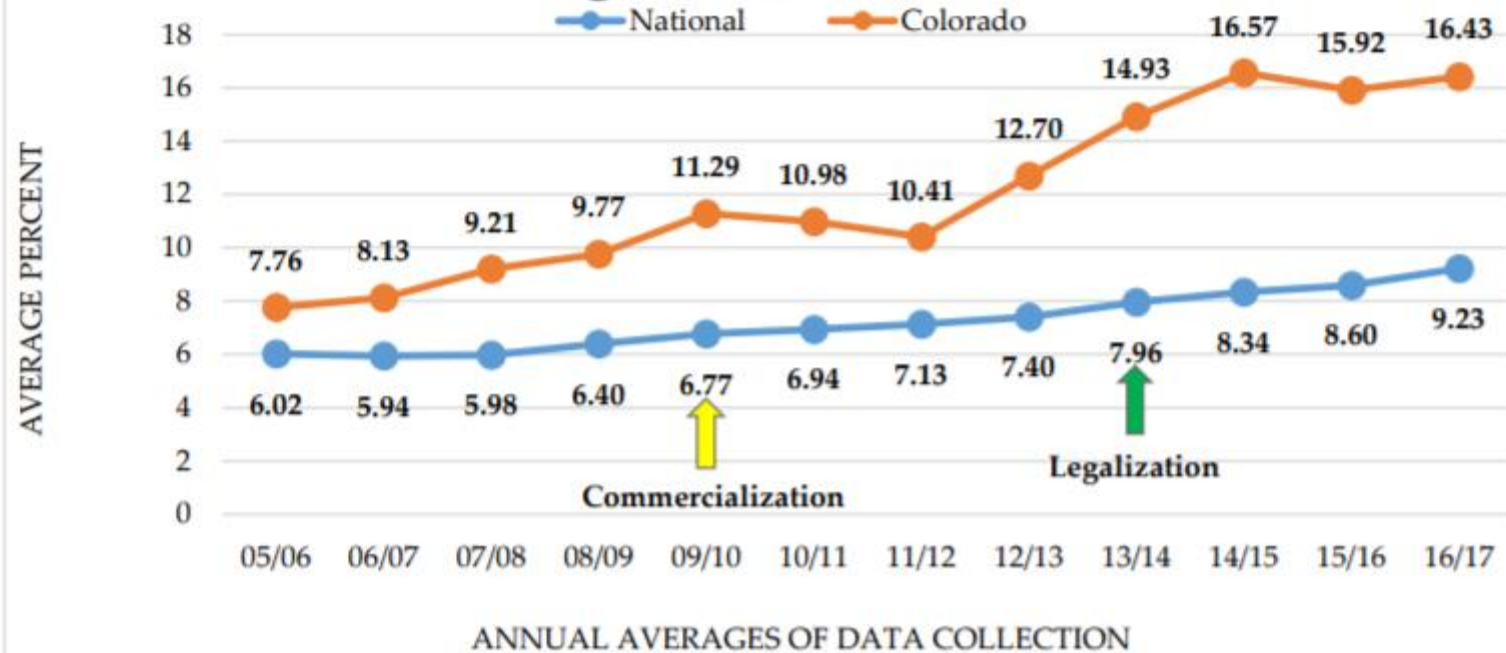
Number of Positive Cannabinoid Screens



*Data from the Colorado Department of Public Health and Environment was merged with ChemaTox data from 2009 to 2013. CDPHE discontinued testing in July 2013.

**The Colorado Bureau of Investigation began toxicology operations in July 1, 2015.

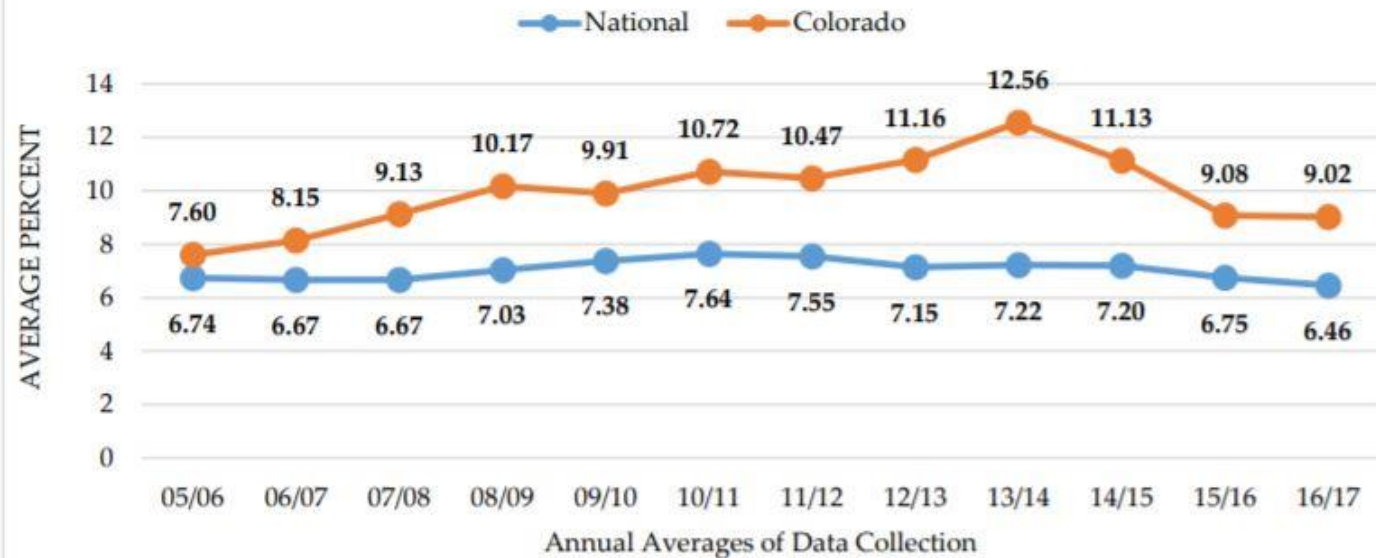
Past Month Marijuana Use, Ages 12 and Older



SOURCE: SAMHSA.gov, National Survey on Drug Use and Health

❖ Colorado was 78% higher than the National average in 2016/2017

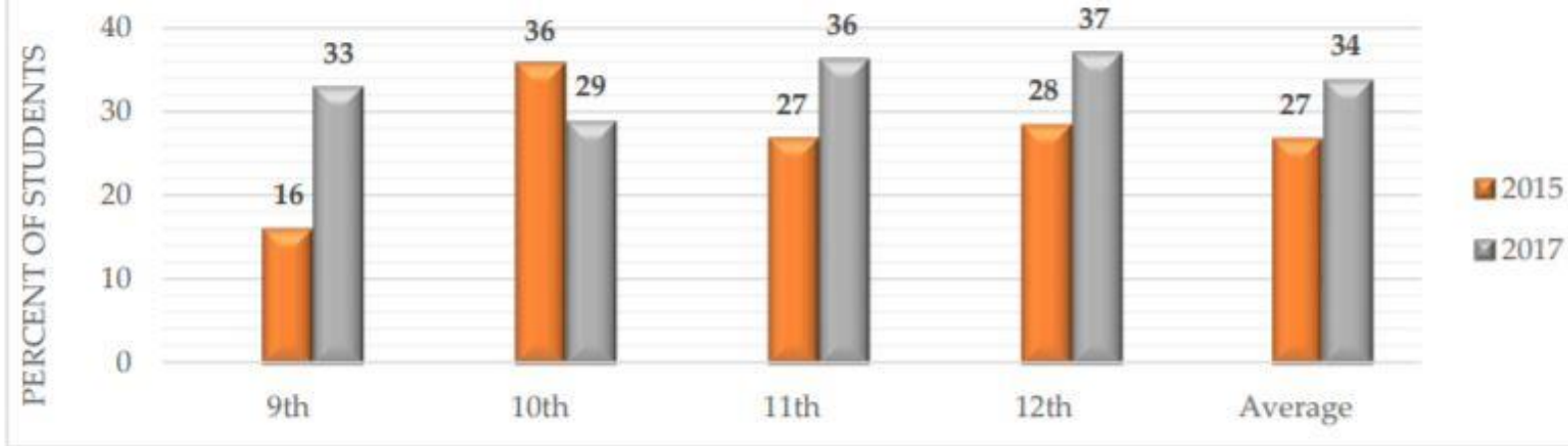
Past Month Marijuana Use, Ages 12 to 17 Years Old



SOURCE: SAMHSA.gov, National Survey on Drug Use and Health

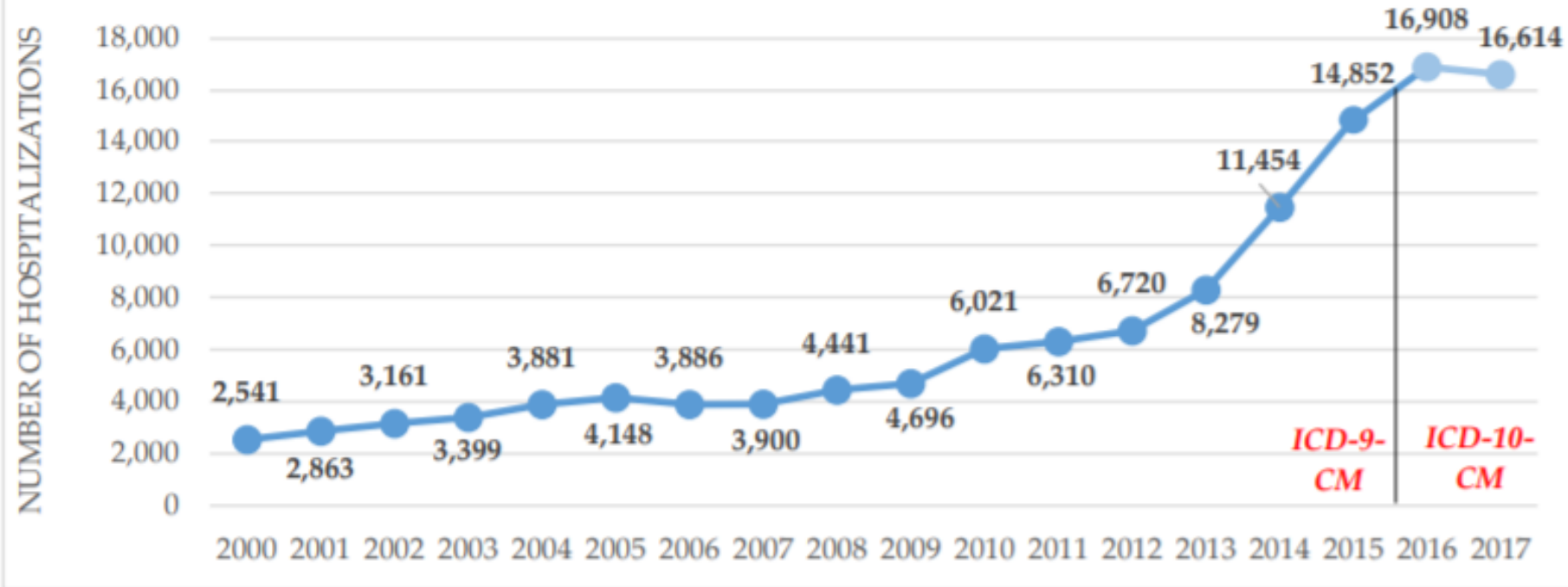
❖ Colorado was 40% higher than the National average in 2016/2017

**Among Students Who Used Marijuana
Within the Past 30 Days, Percentage Who
Dabbed It**



SOURCE: Colorado Department of Public Health and Environment, Healthy Kids Colorado Survey

Hospitalizations Related to Marijuana



SOURCE: Emergency Department Discharge Dataset, as analyzed by the Colorado Department of Public Health and Environment; 2013-2017

THE RISE OF THE BLACK MARKET

**Welcome
To Colorado**





com/4436443

Colorado's Marijuana Reputation

First to Legalize

=

Reputation for the Best Grown
Marijuana in USA

=

\$\$\$\$\$\$\$\$







SHIPPING

- Driving across Country
- Flying out of Small Airports
- Mail
- Creating Hides in Cars



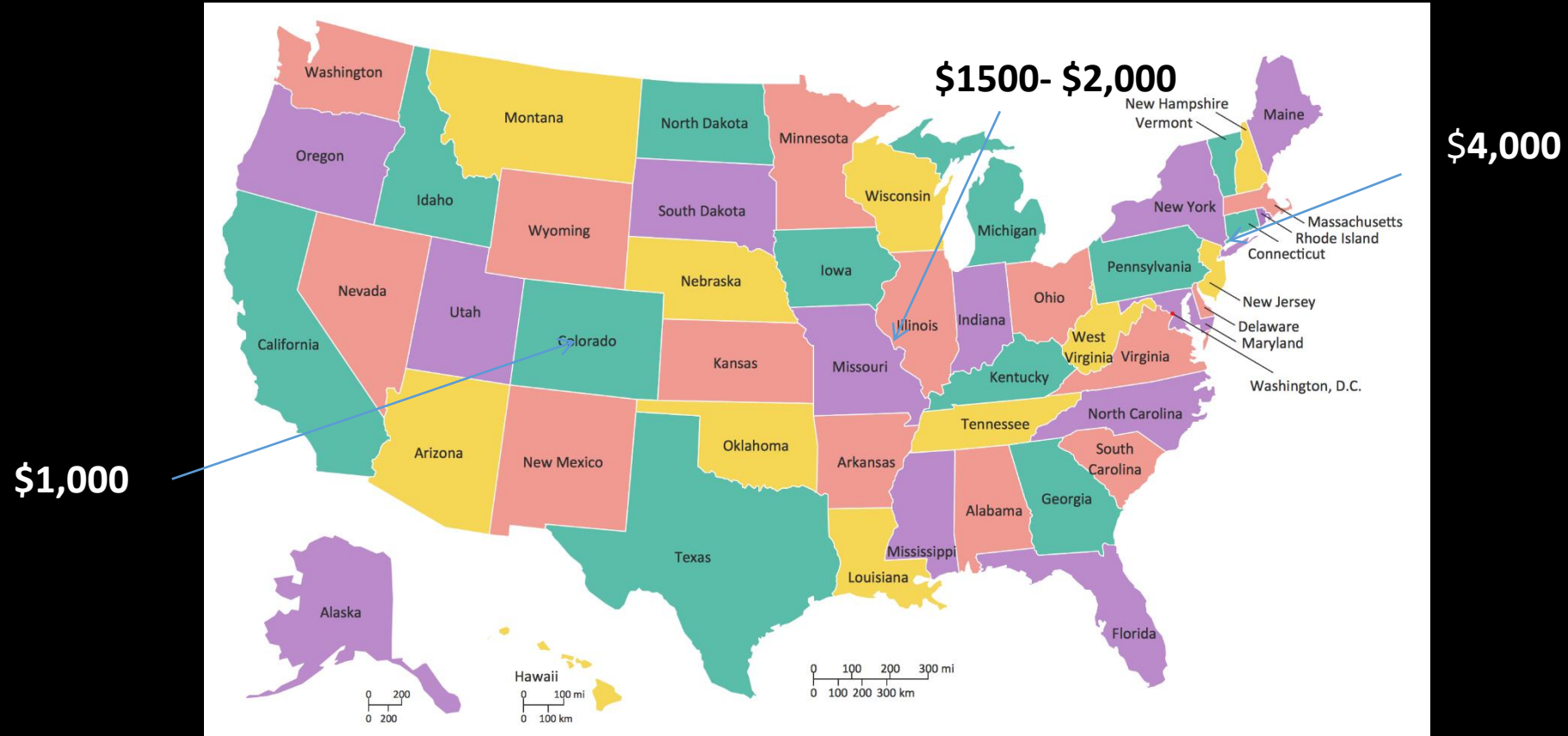


TAX FREE PROFIT



Prices

Every 500 miles East = \$500 More Per Pound



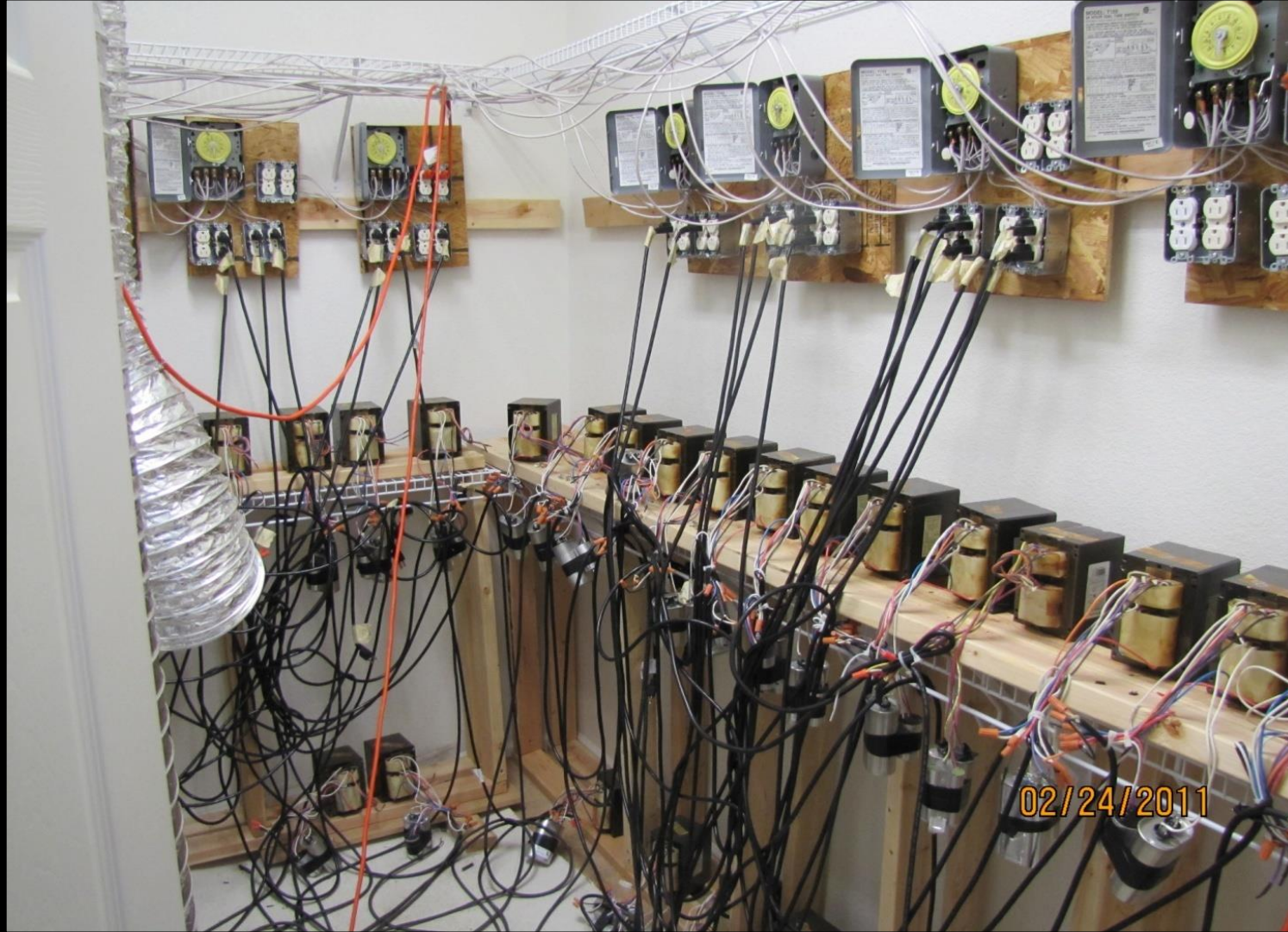
House Grows





WEEK OF: 19 FEBRUARY - 25 FEBRUARY

MON	TUE	WED	THUR	FRI	SAT	SUN	NOTES
FEED VEG		FEED VEG	FINISH BUILD/INSTALL TRELLIS B1	FEED VEG	-clean Veg	218	-Re-top T.Veg 2/26
START B1 LINES			PULL B1 LINES OUT	-Reload B1	-clean Veg Room/Res	218	LOAD CLONER 3/1
START BUILD TRELLIS B1			REINSTALL B1 LINES		WORK (P)	218	Re-top F.Veg 3/8
START PULL DT2			START RISERS SOAKING	START CHECKING DRYING ROOM	PULL RISERS OUT	218	Transfer 2/27
			FINISH PULL PT. 1			CLEAN P.H. METERS	2/29





FIREARMS



Hash Oil & Vape Pens

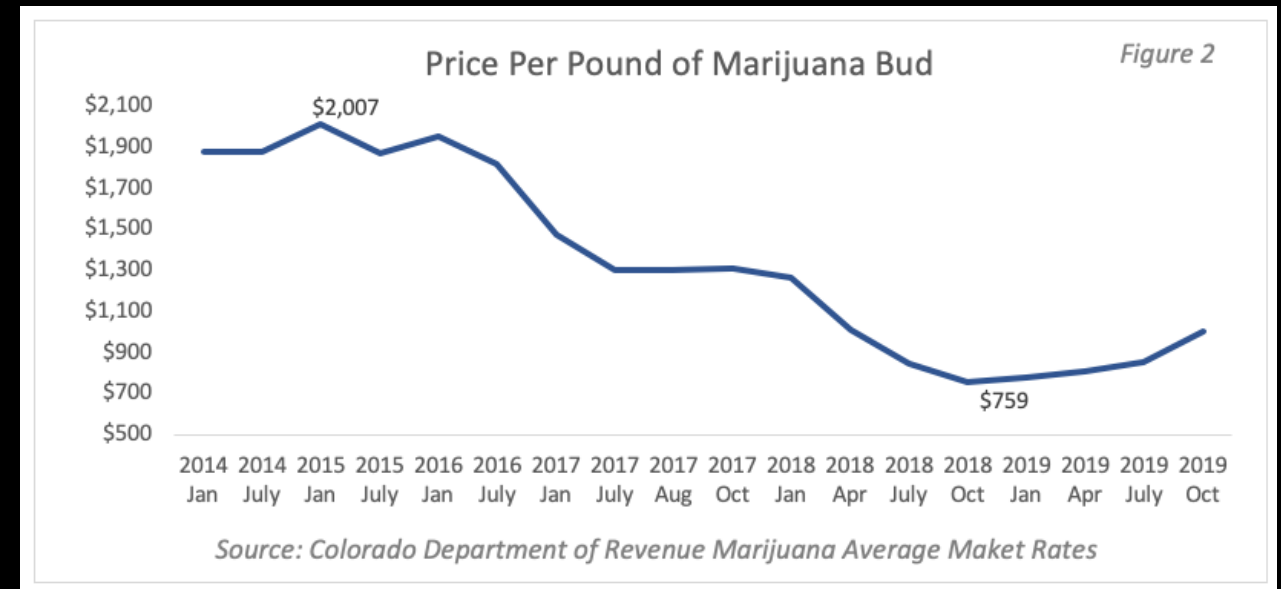


Butane Hash Oil Labs



Fraud

- Marijuana Excise Tax Fraud
- Money Laundering
- Securities Fraud



PROBLEMS FOR LAW ENFORCEMENT

- Patient Caregiver Grows
- Extended Plant Counts
- Recreational Plants Allowed
- Confusing Marijuana Law
- Resources



Protectionist Marijuana Laws § 18-18-406.3

- (5) Any person including, but not limited to, any officer, employee, or agent of the department, or any officer, employee, or agent of any state or local law enforcement agency, who releases or makes public any confidential record or any confidential information contained in any such record that is provided to or by the marijuana registry of the department without the written authorization of the marijuana registry patient commits a class 1 misdemeanor. (2001)
- (8.5) Encourage patient voluntary registration. (a)(I) All patients cultivating more than six medical marijuana plants for their own medical use are encouraged to register with the state licensing authority's registry created pursuant to subsection (7) of this section. A patient who chooses to register shall update his or her registration information upon renewal of his or her medical marijuana registry card.
- (II) A patient who chooses to register shall register the following information with the state licensing authority: the location of his or her cultivation operation; his or her patient registration identification; and the total number of plants that the patient is authorized to cultivate.
- (b) A patient shall not cultivate more than ninety-nine plants. Only a medical marijuana business licensed and properly authorized pursuant to article 43.3 of title 12, C.R.S., may cultivate more than ninety-nine plants. (2015)

Protectionist Marijuana Law § 18-18-406.3

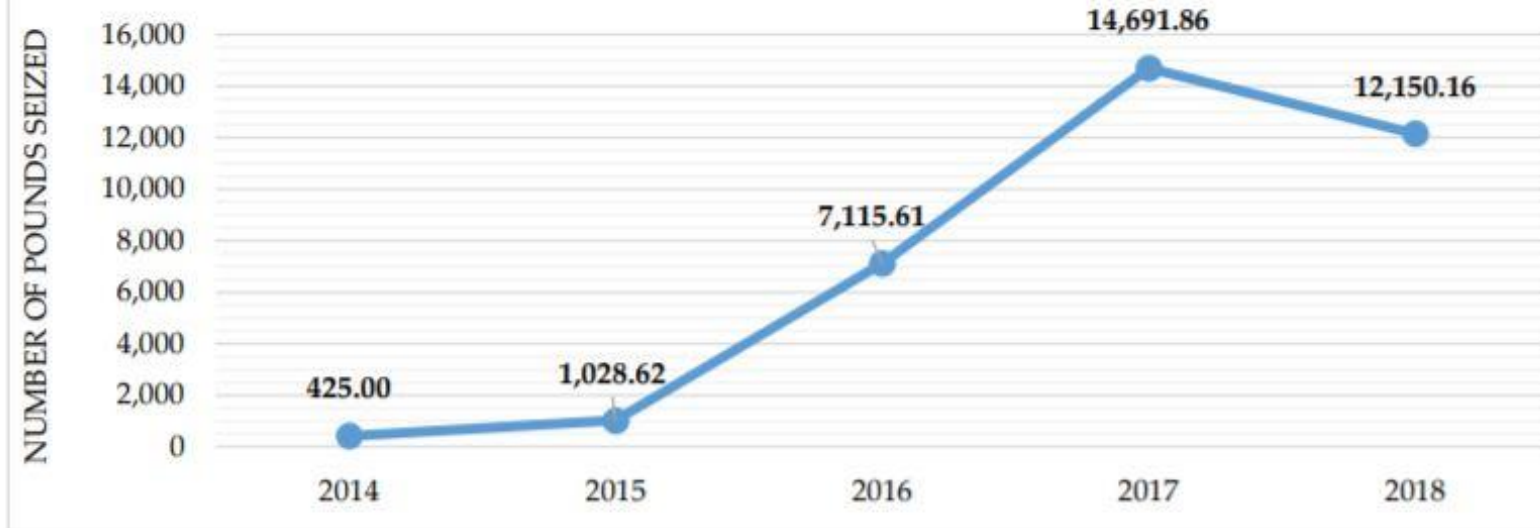
(7) An owner, officer, or employee of a business licensed pursuant to article 10 of title 44, or an employee of the state medical marijuana licensing authority, a local medical marijuana licensing authority, or the department of public health and environment, who releases or makes public a patient's medical record or any confidential information contained in any such record that is provided to or by the business licensed pursuant to article 10 of title 44, without the written authorization of the **patient commits a class 1 misdemeanor**; except that the owner, officer, or employee shall release the records or information upon request by the state or local medical marijuana licensing authority. The records or information produced for review by the state or local licensing authority shall not become public records by virtue of the disclosure and may be used only for a purpose authorized by article 10 of title 44, or for another state or local law enforcement purpose. The records or information shall constitute medical data as defined by section 24-72-204(3)(a)(I). The state or local medical marijuana licensing authority may disclose any records or information so obtained only to those persons directly involved with any investigation or proceeding authorized by article 10 of title 44, or for any state or local law enforcement purpose.

99 plants

- User Can Smoke XX Joints a Day
- 99 Plants per Harvest = 99 Pounds
- 99 pounds of Product = XX Blunts
- It would take a user XX days to smoke 99 pounds of product

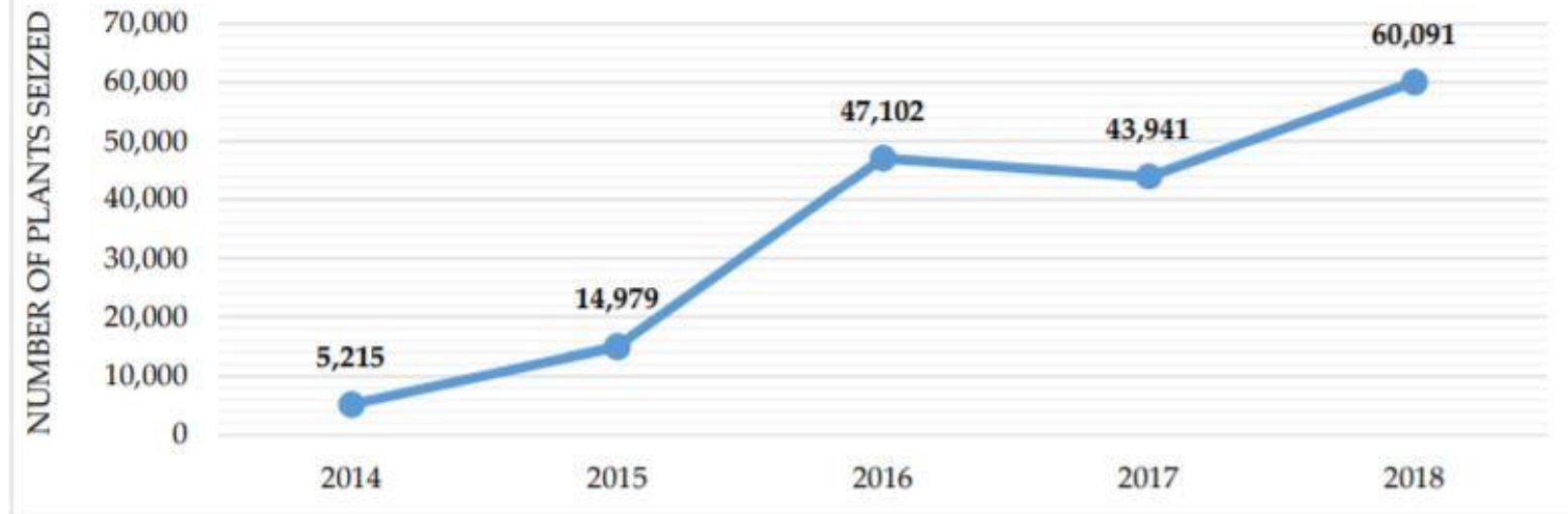


RMHIDTA Colorado Task Forces: Marijuana Investigative Seizures



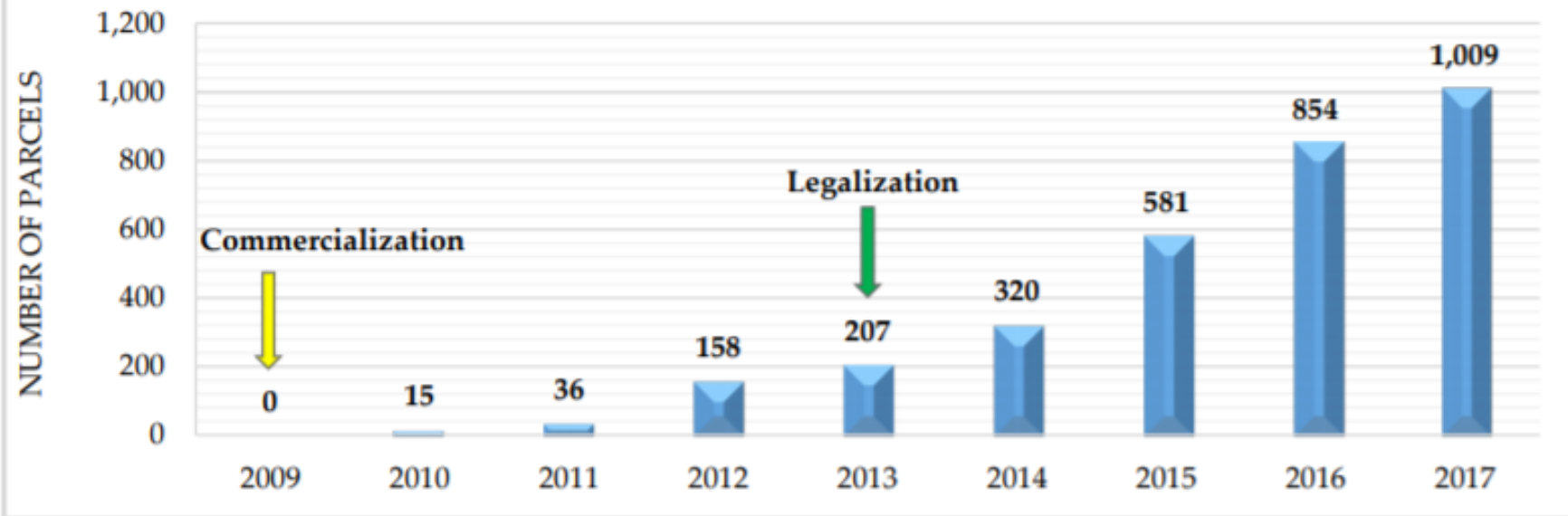
SOURCE: Rocky Mountain HIDTA Performance Management Process (PMP) Data

RMHIDTA Colorado Task Forces: Marijuana Investigative Plant Seizures



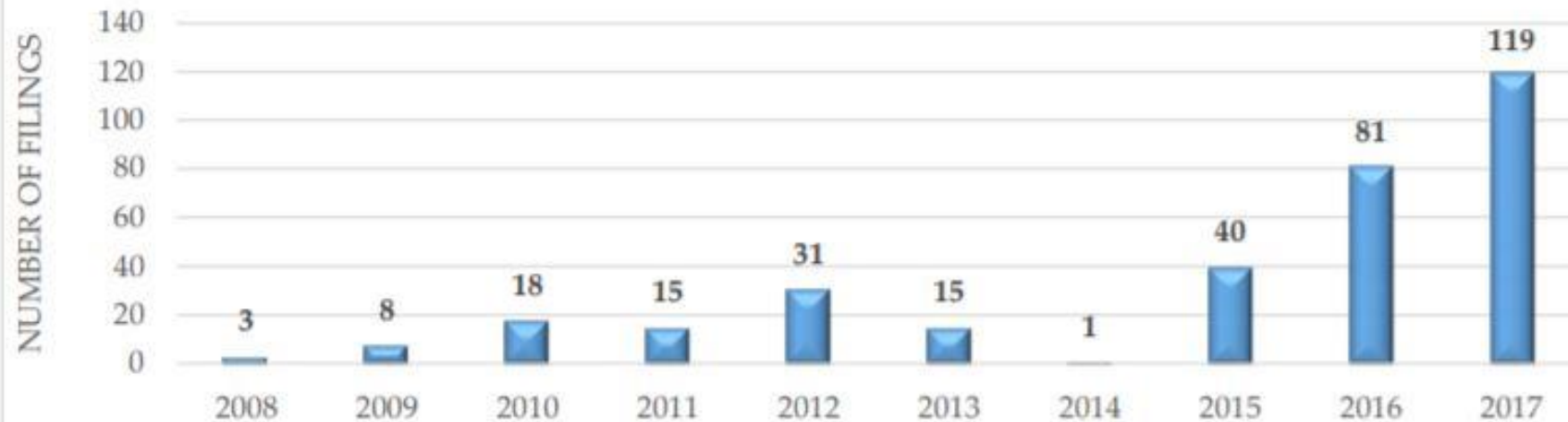
SOURCE: Rocky Mountain HIDTA Performance Management Process (PMP) Data

Parcels Containing Marijuana from Colorado, Mailed to Another State



Source: United States Postal Inspection Service, Prohibited Mailing of Narcotics

Number of Marijuana Case Filings Associated with Colorado Organized Crime Control Act



SOURCE: Colorado Department of Public Safety, Division of Criminal Justice, Office of Research and Statistics

18th Judicial District Attorney's
Office's Response to Black Market
Marijuana

18th Judicial Prosecuted Black Market Marijuana Cases

- 2015 - 455 cases
- 2016 - 592 cases
- 2017 - 395 cases
- 2018 – 73 cases
- 2019 – 173 cases

Narcotics Unit

- 18th Judicial Narcotics Unit formed in 2016
 - Senior Prosecutor
 - Two Full Time Narcotics Investigators (1 Full time Marijuana cases)
 - Deputy Prosecutor
- Works closely with DEA and local law enforcement to target Black Market Marijuana Organizations
- Created DTO investigations with law enforcement
- Utilized Grand Jury, targeted prosecution, proffers to

Dismantling Marijuana Drug Trafficking Organizations

- Must dismantle the entire organization or grows will just pop up again
- Have to take their infrastructure (Ballasts/Lights)
- Forfeiture – Go after their finances!

INVESTIGATIVE TOOLS

Pings

Search Warrants

Trackers

Confidential Informants

Wiretaps

UC

Wall Stops

Grand Jury

Subpoenas

PORS (Production of Records)

Forfeiture

- Forfeit money seized
- Investigate who owns the house
 - Prove the owner knew about the illegal grow
 - Payments from the grow went to rent and the owner was aware
 - The owner was getting a cut of the sales
- Seize the house
- Seize ballasts/lights
- Seize firearms



CASE STUDIES

SLICE OF THE PIE

Michael Peter Schook

- Failed to File 2012, 2013 and 2014
- No Legitimate Source of Income
- Several High End Assets
- Suspicious Bank Transactions
 - Tellers reported marijuana odor on cash
 - Deposits/Withdrawals In 9 States
 - Unusual High Excel Energy Payments
 - Weekly Purchases at Grow Store

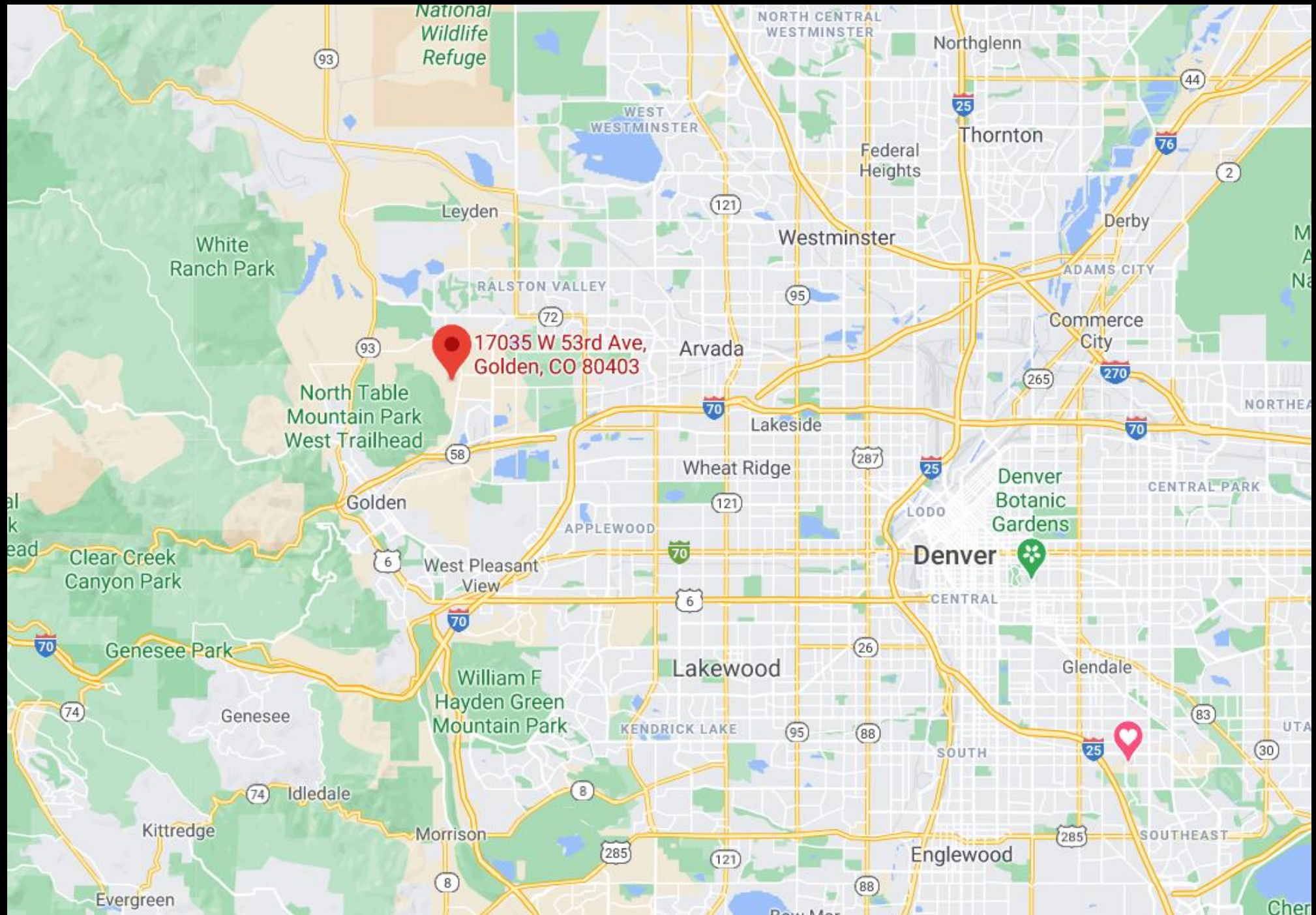
Golden Funding, LLC Loans Schook \$707,967 for Purchase of 17035 W 53rd, Golden, CO

- 5/30/13 Schook purchases 17035 W 53rd for \$704,500



7802 Jean Blvd
Fort Myers, FL 33967

Zep Construction



17035 W. 53rd Avenue, Golden, CO

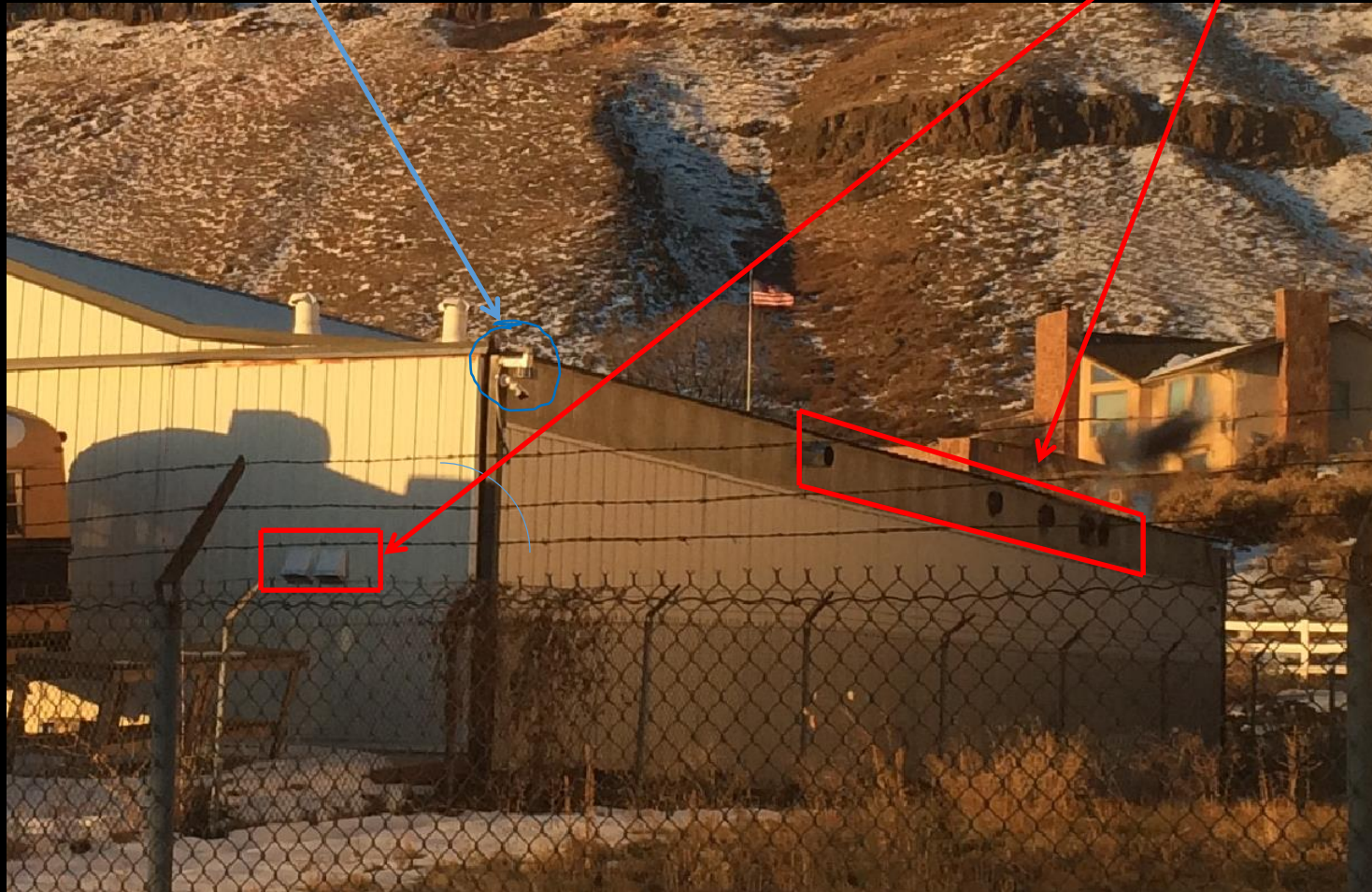


17035 W 53rd, Golden, CO



Dome
Camera

Vents





Building Permits

- 10/7/14 Electrical Permit-Barn
 - 11/7/14 Building Permit
 - 2/29/16 Building Permit

Permit Number: 14124266 00000EP
Address: 17035 W 53Rd AVE Barn
Work Type: Repair / Remodel
Sub Type: Residential

Today's Date: 03/19/2016
Time: 02:23 PM

Step	Start Date	End Date	Status
Building Front Counter	09/23/2014	09/23/2014	Complete
CEGE/UFER		10/08/2014	Not Applicable
Underground Electrical	10/07/2014	10/07/2014	Accepted
Temp Building Service		10/08/2014	Not Applicable
Rough Electric	10/08/2014	10/08/2014	Accepted
In-floor Electric Heat		10/08/2014	Not Applicable
Electric Other		10/08/2014	Not Applicable
Final Electric	10/08/2014	12/24/2014	Accepted
Close Electric Permit		10/08/2014	Complete
Close Electric Permit		12/24/2014	Complete

Permit Number: 14129506 00000BP
Address: 17035 W 53Rd AVE
Work Type: Additions, Remodels and Conversions
Sub Type: 434 Additions & Alterations Res.

Today's Date: 03/19/2016
Time: 02:21 PM

Step	Start Date	End Date	Status
Initial	11/07/2014	11/07/2014	Closed
Driveway Engineered Plan	11/07/2014	11/07/2014	Complete
Building Front Counter	11/18/2014	11/18/2014	Complete
Building Plan Review (BP)	11/18/2014	11/18/2014	Accepted
Footing	11/25/2014	11/25/2014	Accepted Pending Engineer Approval
Pier		09/23/2015	Not Applicable
CEGE/UFER		09/23/2015	Not Applicable
Wall Sheathing		09/23/2015	Not Applicable
Framing	09/22/2015	09/22/2015	Accepted
Stucco/Lathe		09/23/2015	Not Applicable
Mid-Roof		09/23/2015	Not Applicable
Building Other		09/23/2015	Not Applicable
Insulation		09/23/2015	Not Applicable
Final Building	09/22/2015	09/22/2015	Accepted
Final Zoning Review	09/23/2015	09/23/2015	Complete
Close Building Permit	09/23/2015	09/23/2015	Complete
Zoning Plan Review (BP)	11/07/2014	11/07/2014	Complete


Plan Review Details For Selected Permit

Permit Number: 14129506 00000BP
Address: 17035 W 53Rd AVE
Work Type: Additions, Remodels and Conversions
Sub Type: 434 Additions & Alterations Res.

Today's Date: 03/19/2016
Time: 02:23 PM

Plan Information Detail					
Occupancy	Class	Description	Story	SQFT	Valuation
R-3	DECK	DECK W/ HOT TUB	1	500	\$11,500.00
		TOTAL		500	\$11,500.00
		Habitable SQFT		0	

Real Estate Taxes

 **Treasurer Tax Payment**

Current Payable Tax

Payment History

Tax Allocation

Tax Statement

Schedule Number:
Owner Name:

300151048
SCHOOK MICHAEL P

Next P

Property Address:

17035 W 53RD AVE

Address and Political Information (<http://jeffco.us/cgi-bin/awiz/awiz2.cgi?adno=13262>)

PAYMENT INFORMATION

Tax Year	Base Tax	Date Paid	Receipt	Payment Type	Amount
2015	\$4,670.38		No payments received.		
2014	\$4,508.66	*See below			
2013	\$4,321.22	*See below			
2012	\$4,130.88				
		04-16-2013	041613020101	General Tax	\$4,130.88

* A tax lien exists. Please contact the Treasurer at 303-271-8330 for details.

GROW STORE PURCHASES AND ELECTRICITY

Bank Records

JP Morgan Chase provided account statements for Subject's checking account number 118611670 from 2/27/14 through 7/24/14. Wells Fargo provided transactions that appeared suspicious from account number 3482683095. Wells Fargo closed this account on 12/7/15.

DATE	AMOUNT	MERCHANT	CITY	SOURCE
03/20/14	\$99.71	Grow Store	Lakewood	Chase 118611670
03/27/14	\$68.80	Grow Store	Lakewood	Chase 118611670
03/28/14	\$381.84	Grow Store	Lakewood	Chase 118611670
04/01/14	\$366.36	Grow Store	Lakewood	Chase 118611670
04/03/14	\$154.15	Grow Store	Lakewood	Chase 118611670
04/04/14	\$366.12	Grow Store	Lakewood	Chase 118611670
04/11/14	\$148.26	Grow Store	Lakewood	Chase 118611670
04/15/14	\$121.00	Grow Store	Lakewood	Chase 118611670
04/21/14	\$77.53	Grow Store	Lakewood	Chase 118611670
04/22/14	\$331.96	Grow Store	Lakewood	Chase 118611670
04/27/14	\$313.47	Grow Store	Lakewood	Chase 118611670
05/10/14	\$324.67	Grow Store	Lakewood	Chase 118611670
05/13/14	\$302.72	Grow Store	Lakewood	Chase 118611670
05/14/14	\$143.54	Grow Store	Lakewood	Chase 118611670
05/15/14	\$6,000.00	Xcel Energy	Denver	Chase 118611670
05/23/14	\$392.99	Grow Store	Englewood	Chase 118611670
06/06/14	\$452.84	Grow Store	Lakewood	Chase 118611670
06/09/14	\$328.46	Grow Store	Lakewood	Chase 118611670
06/16/14	\$199.46	Grow Store	Lakewood	Chase 118611670
06/26/14	\$545.86	Grow Store	Englewood	Chase 118611670
06/27/14	\$197.09	Grow Store	Lakewood	Chase 118611670
06/30/14	\$22.45	Grow Store	Lakewood	Chase 118611670
07/21/14	\$206.30	Grow Store	Lakewood	Chase 118611670
08/19/15	\$3,000.00	Xcel Energy	Denver	Wells 3482683095
09/18/15	\$3,846.00	Xcel Energy	Denver	Wells 3482683095
10/23/15	\$1,279.00	Xcel Energy	Denver	Wells 3482683095
10/26/15	\$2,293.00	Xcel Energy	Denver	Wells 3482683095

Marijuana Grow Information

- Taken together, one pound of processed marijuana can require roughly 2,000 kilowatt-hours (kWh) to produce.
- Average Colorado household consumed 694 kWh per month
- 4,752.6 kWh per month for 12 plants

- Commonly use a two-stage growing method. This is done so they can schedule their harvest every 45 to 60 days and be able to continually meet the demands of their customers and repeatedly bring in income.
- According to the Metro Vice, Narcotics and Intelligence Division joint task force in Colorado Springs and El Paso County, usage more than 5,000 kWh per month, when combined with other potential indicators of indoor grow operations, can indicate that marijuana plants are being grown more than legally allowable limits at a given residential address.

Deposits Outside of Colorado

Florida

Nebraska

Illinois

DATE	CITY	STATE	TYPE	AMOUNT	SOURCE
03/28/11	FORT MYERS	FL	Deposit	\$10,942	REGIONS BANK
08/24/11	ESTERO	FL	Deposit	\$15,005	REGIONS BANK
12/23/13	TAMPA	FL	Deposit	\$23,600	CHASE
12/23/13	LAKEWOOD	CO	Deposit	MULTIPLE	CHASE
01/13/14	ARVADA	CO	Deposit	\$10,700	CHASE
01/13/14	TAMPA	FL	Deposit	MULTIPLE	CHASE
03/05/14	FORT MYERS	FL	Deposit	\$15,000	WELLS
03/20/14	Lakewood	CO	Deposit	\$150	Chase
03/24/14	Lakewood	CO	Deposit	\$700	Chase
03/24/14	ARVADA	CO	Deposit	\$11,000	WELLS
03/25/14	Lakewood	CO	Deposit	\$2,000	Chase
03/28/14	Lakewood	CO	Deposit	\$300	Chase
03/31/14	Norridge	IL	Deposit	\$9,000	Chase
03/31/14	Skokie	IL	Deposit	\$9,000	Chase
04/22/14	Lakewood	CO	Deposit	\$680	Chase
04/22/14	Lakewood	CO	Deposit	\$700	Chase
04/25/14	Lakewood	CO	Deposit	\$5,000	Chase
05/13/14	Lakewood	CO	Deposit	\$2,020	Chase
05/14/14	Lakewood	CO	Deposit	\$2,000	Chase
05/15/14	Channahon	IL	Deposit	\$9,960	Chase
05/15/14	Morris	IL	Deposit	\$4,960	Chase
06/02/14	Lakewood	CO	Deposit	\$2,000	Chase
06/20/14	Lakewood	CO	Deposit	\$800	Chase
06/26/14	Lakewood	CO	Deposit	\$1,500	Chase
06/30/14	Lakewood	CO	Deposit	\$400	Chase
07/01/14	Lakewood	CO	Deposit	\$1,100	Chase
07/08/14	Lakewood	CO	Deposit	\$1,000	Chase
07/14/14	Lakewood	CO	Deposit	\$285	Chase
07/16/14	Lakewood	CO	Deposit	\$1,000	Chase
07/21/14	Lakewood	CO	Deposit	\$1,000	Chase
04/27/15	PLANO	TX	Deposit	\$10,975	WELLS
04/27/15	FORT MYERS	FL	Deposit	MULTIPLE	WELLS
05/04/15	Not Provided	TX	Deposit	\$4,500	WF-TV (request 1)
05/04/15	Not Provided	FL	Deposit	\$5,000	WF-TV (request 1)
05/04/15	Not Provided	CO	Withdrawal	\$1,750	WF-TV (request 1)
05/07/15	Not Provided	TX	Deposit	\$4,080	WF-TV (request 1)
05/11/15	Not Provided	TX	Deposit	\$8,000	WF-TV (request 1)
05/15/15	Morris	IL	Deposit	\$5,000	Chase
05/26/15	Not Provided	FL	Deposit	\$2,000	WF-TV (request 1)
05/29/15	Not Provided	FL	Deposit	\$3,000	WF-TV (request 1)
06/02/15	Not Provided	FL	Deposit	\$2,000	WF-TV (request 1)
06/06/15	Not Provided	CO	Unknown	\$6,950	WF-TV (request 1)
06/09/15	Not Provided	SD	Withdrawal	\$300	WF-TV (request 1)
06/11/15	Not Provided	CO	Deposit	\$2,000	WF-TV (request 1)
06/19/15	Not Provided	TX	Deposit	\$3,500	WF-TV (request 1)
06/22/15	Not Provided	FL	Deposit	\$2,000	WF-TV (request 1)
06/26/15	Not Provided	FL	Deposit	\$3,000	WF-TV (request 1)
06/30/15	Not Provided	FL	Deposit	\$4,900	WF-TV (request 1)
07/01/15	Not Provided	NE	Withdrawal	\$300	WF-TV (request 1)
07/03/15	Not Provided	FL	Deposit	\$3,200	WF-TV (request 1)
07/13/15	Not Provided	FL	Deposit	\$3,000	WF-TV (request 1)

Wyoming

Texas

South
Dakota

11/12/15 MED Issued Key License

DR 6517 (07/26/15)
COLORADO DEPARTMENT OF REVENUE
Marijuana Enforcement Division
455 Sherman Street, Suite 300
Denver, CO 80203

M.E.D.-1
2015 OCT 27 AM 8:18

Marijuana License Number (Leave Blank)
M36446

Marijuana Support / Key Occupational Employee License Application

Please Check One: ☐ Support ☒ Key ☐ Upgrade

Applicant's Last Name (Please Print) SCHOOK First Name Michael Full Middle Name Peter

Maiden/Married Names Used (Full Name) (Attach separate sheet if necessary) Nicknames, Aliases, Etc. Used (Full Name) (Attach separate sheet if necessary)

Sex ☒ M ☐ F Race White Date of Birth 4-23-1965 Social Security Number 376-88-285 Other Social Security Numbers Used ☐ Yes ☒ No (If yes attach details.)

Place of Birth: City Aurora State CO Country Drivers License Number and State 12-256-0337

Physical Appearance: Height 5-10" Weight 190 Hair Color Brown Eye Color Hazel Scars/Tattoos ☒ Yes ☐ No (If yes explain on a separate sheet)

U.S. Citizen ☒ Yes ☐ No CO Resident ☒ Yes ☐ No (If "No", include details here: (Attach separate sheet if necessary)) Date of CO Residency 8-12-2013 Alien Registration Number

Physical Address
Address 17035 W 53rd Ave City Golden County Jefferson State CO ZIP 80403

Length of time at this Address: Year(s) 2 Month(s) 4 Home Phone Number () Cell Phone Number (803) 683-6781 Email Address mschookrb@gmail.com

Mailing Address (if different from Physical Address)
Address City State ZIP

List all addresses where you have lived during the last 5 years, not including present address, (attach separate sheet if necessary)

Street and Number	City/State/ZIP	From	To
<u>6900 West Chateaux LN</u>	<u>Littlerock CO 80125</u>	<u>8-2-2013</u>	<u>7-2-2014</u>
<u>10343 Via Ramona Court</u>	<u>Meridian Lakes FL 33413</u>	<u>1-1-2010</u>	<u>7-6-2013</u>

Name of licensed Marijuana business where you will be working Work Phone Number () Job Title ()

Name of present employer, if different from above Work Phone Number () Occupation or Job Title ()

Do you currently possess a Colorado Marijuana license or are you an owner or associated person in any other type of Colorado Marijuana business?
☐ Yes ☒ No "If "Yes", indicate license type and number here:

Have you ever applied for a Marijuana license in this or any other jurisdiction, domestic or foreign, whether or not the license was ever issued? (Not including your Medical Marijuana patient card)
☐ Yes ☒ No "If "Yes", explain here:

Have you ever been denied a Marijuana license, withdrawn a Marijuana license application or had any disciplinary action taken against any Marijuana license that you have held, either individually or as part of an ownership group, in this or any other jurisdiction?
☐ Yes ☒ No "If "Yes", explain here:

Applicant's Signature Michael P Schook Date 10-26-2015

Page 1 of 11

Vehicles



CTR's

6	7	21	30	26	29	16	5	11	12	13	16	2	17	30	6	4	5					
4/12	1/13	5/13	5/13	12/13	4/14	5/14	6/14	6/14			6/14	7/14	7/14	7/14	10/14	5/15						
<input type="checkbox"/> 4/6/12, FL- C WESTON WENNER DEP CASH \$13,600 ON BEHALF OF SELF	<input type="checkbox"/> 1/7/13, FL- C WESTON WENNER DEP CASH \$10,100 ON BEHALF OF SELF	<input type="checkbox"/> 5/21/13, GOLDEN FUNDING REGISTERS WITH FLORIDA SOS	<input type="checkbox"/> 5/30/13, GOLDEN FUNDING LOANS \$708K TO SCHOOK	<input type="checkbox"/> 12/26/13, FL- JORDAN J ALMESTER DEP Cash \$20,000 ON BEHALF OF MICHAEL SCHOOK	<input type="checkbox"/> 4/29/14, RICK PRY SOCK REC'D CHECK \$1,650 FROM SCHOOK	<input type="checkbox"/> 4/29/14, IL- JON ANDREWS PUR MONEY ORDERS \$5,000 ON BEHALF OF WENNER	<input type="checkbox"/> 4/29/14, IL- JAMES TRANCHITA PUR MONEY ORDERS \$5,000 ON BEHALF OF WENNER	<input type="checkbox"/> 5/16/14, CHARLES GABLE YERRID REC'D WIRE \$2,000 FROM SCHOOK	<input type="checkbox"/> 5/16/14, JRAY INSULATION REC'D CHECK \$4,200 FROM SCHOOK	<input type="checkbox"/> 5/16/14, LINDA MASUKAWA REC'D CHECK \$2,500 FROM SCHOOK	<input type="checkbox"/> 5/16/14, IL- JAMES E TRANCHITA DEP CASH \$40,000 ON BEHALF OF GOLDEN FUNDING	<input type="checkbox"/> 6/5/14, THERESA M. MAYBERRY TRANS \$2,950 TO MICHAEL SCHOOK	<input type="checkbox"/> 6/11/14, IL- JAMES E. TRANCHITA <input type="checkbox"/> DEP Cash \$66,810 ON BEHALF OF MICHAEL SCHOOK	<input type="checkbox"/> 6/13/14, WESTON WENNER REC'D CHECK \$25,426 FROM SCH	<input type="checkbox"/> 6/16/14, THERESA MAYBERRY REC'D CHECK \$2,340 FROM SCHOOK	<input type="checkbox"/> 7/2/14, THERESA MAYBERRY REC'D CHECK \$1,700 FROM SCHOOK	<input type="checkbox"/> 7/2/14, CHARLES ""WESTON"" WENNER WITHDREW CASH \$5,000 TWICE ON SAME DAY	<input type="checkbox"/> 7/17/14, AL- WALTER L CONWELL DEP CASH \$28,400 ON BEHALF OF GOLDEN FUNDING	<input type="checkbox"/> 7/30/14, CO- MICHAEL P SCHOOK DEP Cash \$21,580 ON BEHALF OF ZEPCEVSKI	<input type="checkbox"/> 10/6/14, CO- MICHAEL P SCHOOK DEP Cash \$26,235 ON BEHALF OF GOLDEN FUNDING	<input type="checkbox"/> 5/4/15, TX- JOVAN ZEPCEVSKI DEP CASH \$12,750 ON BEHALF OF GOLDEN FUNDING	<input type="checkbox"/> 5/5/15, RYAN COCCIA REC'D CHECK \$2,000 FROM SCHOOK

Colorado

Ashley Shelabarger, DOB 6/13/1987

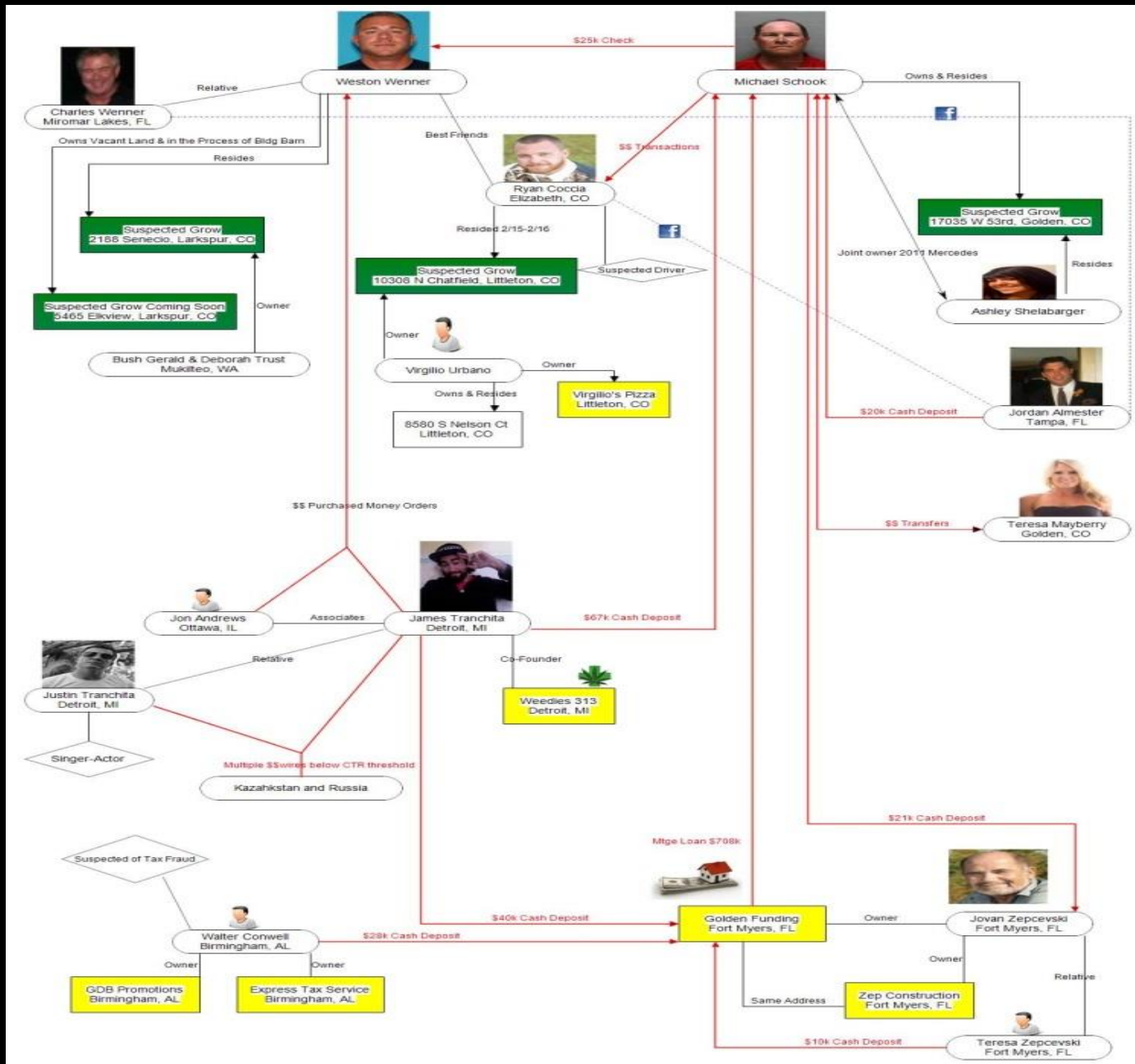
- Lives in Golden
- From Illinois, lived in Las Vegas 2013
- 8/20/15, resides at Schook's address, 17035 W 53rd, Golden, CO
- 9/14/15, joint owner 2011 Mercedes with Schook
- Girlfriend?

Charles Weston Garrett Wenner, DOB 11/22/1980

- Rents home in Larkspur, Grow House
- 2015, Purchased 35.5 acres in Larkspur; currently building a barn on property.
- 2014, Accurint reported Schook used address 2188 Senecio, Larkspur
- 6/13/14, Received \$25,426 check from Schook

Ryan Joseph Coccia, DOB 3/16/1989

- Lives in Elizabeth
- 2015-2016, lived at 10308 N Chatfield, suspected grow; moved 4 months after HOA complaint.
- 2014, Accurint, TLO reported his address 18021 Misty Morning Ln, Ft. Myers, FL (Wenner's)
- 2015, TLO reported his address 20301 Grande Oak Shoppes, Estero, FL (Wenner's)
- 5/5/15 Received \$2,000 check from Schook
- 6/2/15, Received \$2,000 check from Schook



Tips/Surveillance/Trash Rips

- August 2017, received citizen tips concerning the property and a strong odor of marijuana.
- Investigators began surveillance and watched Danny Hoskins moving pots trimming machines.
- Got another tip about Weston Wenner's property at Elkview
 - Did trash rips and recovered potting soil and clippings.
- Out of Hoskin's house – trash rips yielded plastic bags with Sour 4 and Chem Flo on them.

Federal Express Records

- Can be used to show them shipping out of state.
- In this case – Records were able to show Ashley and Schook sending tons of packages across the country.

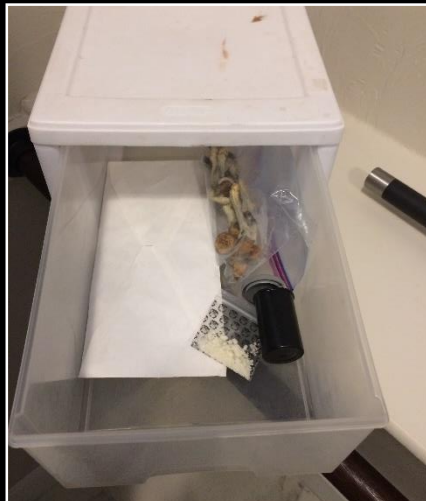
1336 Fremont Drive Weston Wenner's House

- Financial Documents
- Marijuana Cultivation Documents
- Six Handguns
- One Rifle
- Handgun suppressor
- Personal Amounts of Mushrooms and Suspected Cocaine

1336 Fremont Drive



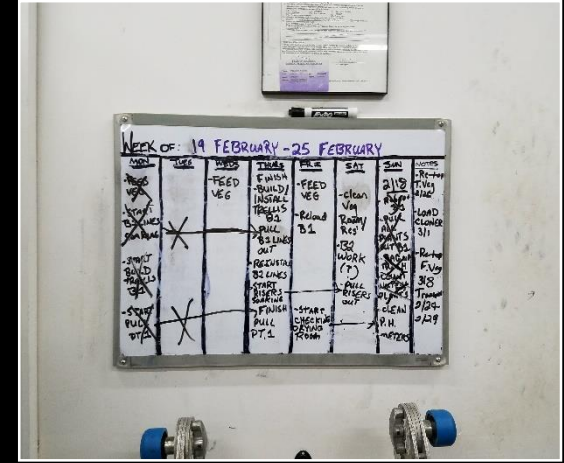
1336 Fremont Drive



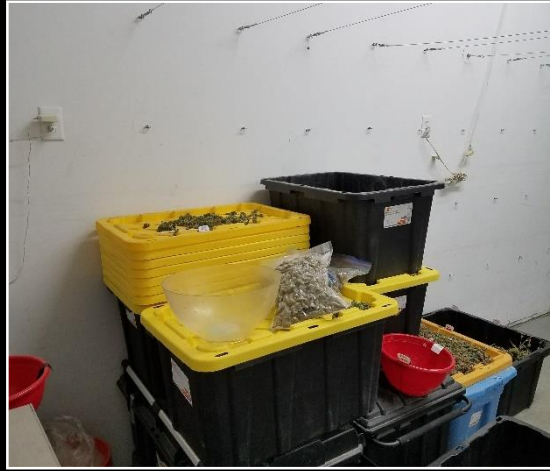
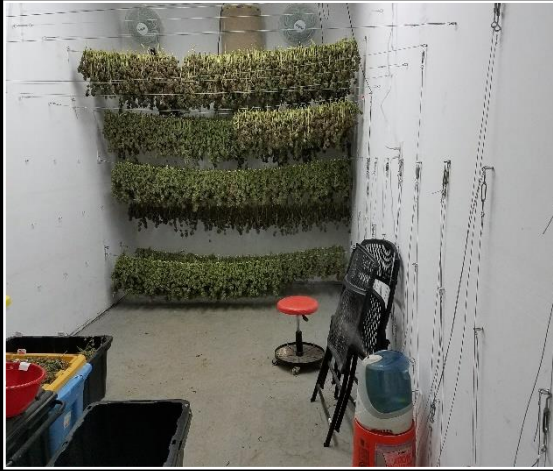
5464 Elk View Court



5464 Elk View Court



5464 Elk View Court

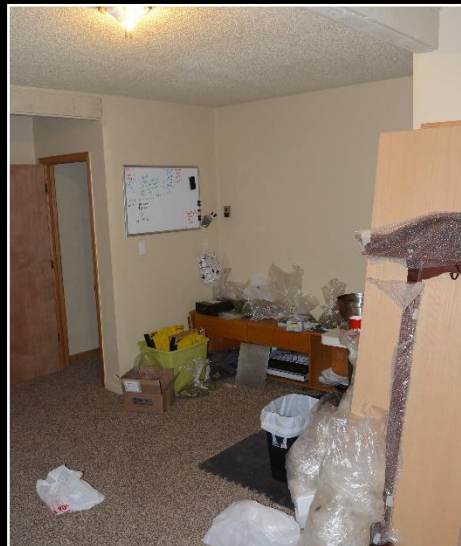


17035 W. 53rd Ave.

Michael Schook's Residence and Marijuana Grow

- 414 marijuana Plants
- Marijuana Cultivation Documents
- Over 35 lbs. of Finished marijuana
- 11 Handguns
- Three Rifles
- Hash Oil Lab
- \$14,800

17035 W. 53rd Ave



17035 W. 53rd Ave



17035 W. 53rd Ave



17035 W. 53rd Ave

Grow Room



Grow Room



Hash Extraction



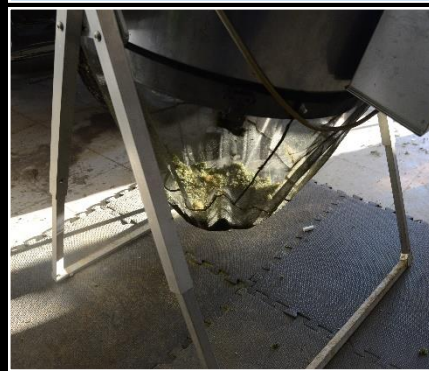
Hash Extraction



Vac Oven



Trimmer



Wax



17035 W. 53rd Ave



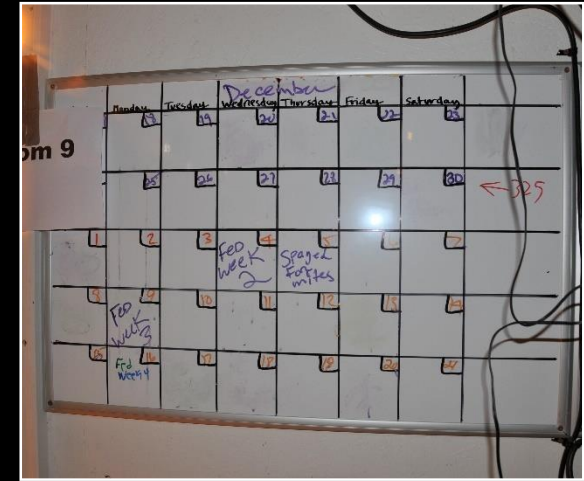
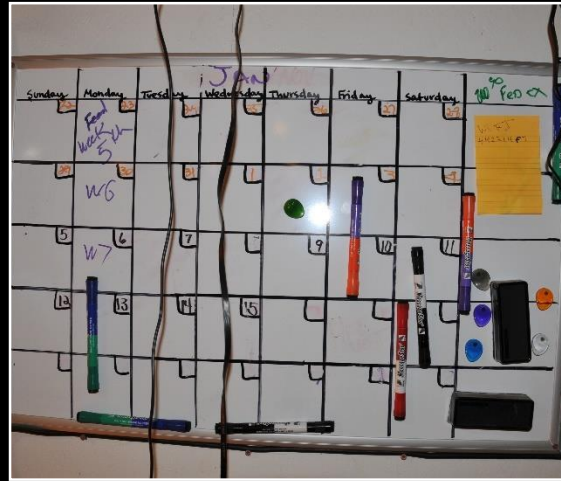
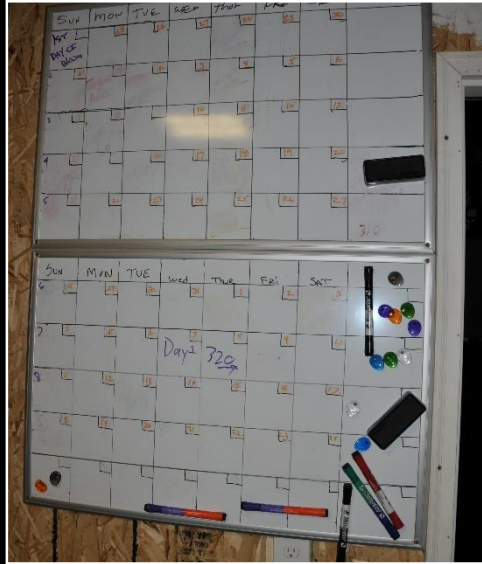
26 Wilderness Dr. Michael schook's cabin and Marijuana Grow

- 125 marijuana Plants
- One Handgun

26 wilderness dr



26 wilderness dr



740 Carr st. Leslie Schook's residence and Marijuana Grow

- 132 marijuana Plants
- Two Handguns
- Eight Rifles
- One Shotgun
- \$5,711
- Pounds of Finished Product (Weight TBD)

740 carr st



730 Carr st. John Clute's residence and Marijuana Grow

- 377 marijuana Plants
- One Rifle
- Three Shotguns
- Three Jars of Hash Oil
- Five Pounds of Wax
- 23 Pounds of Finished Marijuana

730 Carr st



2541 w 52nd ave Carr st. Danny Hoskins' Residence and Marijuana Grow

- 125 marijuana Plants
- One Handgun
- One Pound of Hash Oil
- One Oz of Mushrooms

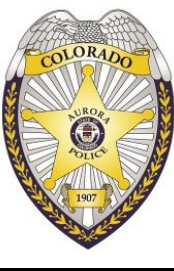
420 Friendly



7850 S. Coolidge Wy./ 6262 S. Quemoy Ct.
May 2016 to January 2018

- 5 search warrants at two houses with different Tenants over a 1 ½ year period.
- LSD: 2 DU
- Methamphetamine: 7.2 gm.
- Psilocybin (Mushrooms): 23.75 gm.
- Firearms: 6
- *Marijuana Plants:* 1,460
- *Marijuana:* 379 lbs.





6262 S. Quemoy Ct.

January 7, 2018

- **January 7, 2018:** APD Narcotics Tipline report-neighbor report of possible large scale marijuana grow, odors.
- **January 23, 2018:**
 - Search warrant executed with assistance of APD SWAT
 - Significant marijuana grow operation discovered.
 - 343 growing marijuana plants
 - Total marijuana weight: 80 lbs.
 - Six (6) firearms
 - Methamphetamine
 - LSD
 - Psilocybin (mushrooms)
- 2 Felony Arrests/2 Municipal Summonses Issued



Marijuana Cultivation at 6262 S. Quemoy Ct.



July 24, 2018 – Search warrant served at 7283 S. Irvington Court – Case number 18-28407.



- 5,818 grams packaged marijuana, which equates to 205.2 ounces or 12.75 lbs.
- 272 grams marijuana concentrate, which equates to 9.59 ounces.
- \$9,318 U.S. currency.
- 94 growing marijuana plants.
- Indications that half of the marijuana grow had been harvested.
- 1 SKS style semi-auto rifle.
- 3 semi-auto handguns.
- Hundreds of rounds of ammunition.

Search warrant served at 2057 S. Pitkin Street



- 209 growing marijuana plants were discovered in the basement of the house. Dried and found to weigh 8,524 grams, which equates to 300 ounces or 18.75 lbs.
- 66 large recently harvested marijuana plants found drying in garage cultivation area. Dried and found to weigh 10,272 grams, which equates to 362.33 ounces or 22.6 lbs.
- 1 loaded semi-automatic handgun
- Medical marijuana license for Stephanie Ortiz.

POTENTIAL CHARGES

COCCA

VIOLATION OF THE COLORADO ORGANIZED CRIME CONTROL ACT – PATTERN OF RACKETEERING – PARTICIPATION IN AN ENTERPRISE; §18-17-104(3) & 18-17-105 C.R.S. (F2)

Between the dates of January 1, 2018 and September 22, 2018, in, or triable in the State of Colorado, County of Arapahoe, **Darcy Kofol, George Brauchler**, and others both known and unknown, while employed by or associated with an enterprise, unlawfully, feloniously, and knowingly conducted or participated, directly or indirectly, in the enterprise through a pattern of racketeering activity: in violation of sections 18-17-104(3) and 18-17-105, C.R.S.

VIOLATION OF THE COLORADO ORGANIZED CRIME CONTROL ACT - CONSPIRACY/ENDEAVORING; §18-17-104(4) & 18-17-104(3), C.R.S. (F2)

Between the dates of January 1, 2018 and September 22, 2018, in, or triable in the State of Colorado, County of Arapahoe, **Darcy Kofol, George Brauchler**, and others both known and unknown, did unlawfully, knowingly, and feloniously conspire and endeavor to conduct and participate, directly or indirectly, in an enterprise, through a pattern of racketeering activity in violation of C.R.S. § 18-17-104(4) and § 18-17-104(3), C.R.S.

POTENTIAL MARIJUANA CHARGES

- DISTRIBUTION OF MARIJUANA – 50 POUNDS OR MORE; §18-18-406(2)(b)(I),(III)(A), C.R.S. (DF1)
- POSSESSION WITH INTENT TO DISTRIBUTE MARIJUANA – 50 POUNDS OR MORE; §18-18-406(2)(b)(I),(III)(A), C.R.S. (DF1)
- CONSPIRACY TO DISTRIBUTE OR POSSESS WITH INTENT TO DISTRIBUTE MARIJUANA – MORE THAN 12 OUNCES LESS THAN 5 POUNDS, §18-18-406(2)(b)(I),(III)(C), C.R.S. (DF3)
- MONEY LAUNDERING – CONDUCT FINANCIAL TRANSACTION WITH INTENT TO PROMOTE CRIME, §18-5-309(1)(A)(I), C.R.S. (F3)
- CONSPIRACY TO COMMIT MONEY LAUNDERING – TRANSFER MONETARY INSTRUMENT WITH INTENT TO PROMOTE A CRIME, §18-5-309(1)(B)(I) C.R.S. (F4)
- EVASION OF TAXES ADMINISTERED BY THE COLORADO DEPARTMENT OF REVENUE, §39-21-118(1) and §18-2-201, C.R.S. (F5)
- SECURITIES FRAUD, §11-51-501(1)(b) and 11-51-603(1), C.R.S. (F3)

CONTROLLED SUB-SPECIAL OFF-SOURCE/INCOME 18-18-407(1), C.R.S. (DF1)

- (1) A person who commits a felony offense under this part 4 under any one or more of the following aggravating circumstances commits a level 1 drug felony and is a special offender:
 - (a) The defendant committed the violation as part of a pattern of manufacturing, sale, dispensing, or distributing controlled substances, which violation is a felony under applicable laws of Colorado, which constituted a substantial source of that person's income, and in which that person manifested special skill or expertise;
 - (b) The defendant committed the violation in the course of, or in furtherance of, a conspiracy with one or more persons to engage in a pattern of manufacturing, sale, dispensing, or distributing a controlled substance, which offense is a felony under applicable laws of Colorado, and the defendant did, or agreed that he or she would, initiate, organize, plan, finance, direct, manage, or supervise all or part of such conspiracy or manufacture, sale, dispensing, or distributing, or give or receive a bribe, or use force in connection with such manufacture, sale, dispensing, or distribution;

TRIAL TOOLS

- PROFFERS
- AGREEMENT TO TESTIFY
- VOICE EXEMPLARS
- PHONE SWs
- COMPUTER SWs
- MARIJUANA TESTING
 - Representative Sampling
- OCRing Discovery
- Marijuana Expert
- Financial Expert (Summaries)

DEFENSES

- Legal Guise
- Caregiver
- Extended Plant Count Card
- Medical Marijuana
- Other Income
- It's LEGAL! No one cares about Marijuana!

Case Law

People v. McKnight, 452 P.3d 82

- The Court of Appeals, held that:
- a sniff of defendant's legitimately stopped vehicle by a dog trained to detect both marijuana and other drugs was a “search” under State Constitution, and
- police lacked reasonable suspicion for the dog sniff.
- “Because Amendment 64 legalized possession for personal use of one ounce or less of marijuana by persons twenty-one years of age or older in Colorado, it is no longer accurate to say, at least as a matter of state law, that an alert by a dog which can detect marijuana (but not specific amounts) can reveal only the presence of “contraband.”

People v. Crouse, 388 P.3d 39, 2017

- - The Supreme Court, held that in a matter of first impression, Colorado's medical **marijuana** amendment expressly authorizing use of “medical **marijuana**,” which required return of **marijuana** seized from medical **marijuana** patient if jury acquitted patient of state criminal drug charges arising from seized **marijuana**, was preempted by the Controlled Substances Act (CSA).

Beinor v. Industrial Claim Appeals Office

- The Court of Appeals, held that:
 - the medical use of **marijuana** by an employee holding a registry identification card under state constitutional medical **marijuana** amendment does not constitute the use of “medically prescribed controlled substances” under statute governing disqualification from unemployment compensation benefits;
 - medical **marijuana** amendment does not give medical **marijuana** users the unfettered right to violate employers' policies and practices regarding use of controlled substances;
 - use of medical **marijuana** was prohibited under employer's zero-tolerance drug policy prohibiting “illegal drugs”; and
 - evidence supported finding that employee violated employer's zero-tolerance drug policy.

People v. Clendenin, 232 P.3d 210

The Court of Appeals held that:

- as a matter of first impression, the act of supplying **marijuana** to a patient for medical use, by itself, is insufficient to qualify a person as a primary caregiver for purposes of the constitutional primary-caregiver affirmative defense to a criminal charge related to medical use of **marijuana**, and
- the statutory provision defining the crime of possession of **marijuana** with intent to distribute is not void for vagueness.

People v. Lente, 406 P.3d 829

- The Supreme Court held that extracting hash oil from **marijuana** was manufacturing **marijuana** that required a license, not “processing” **marijuana** plants that did not require a license, and thus amendment to State Constitution that legalized processing **marijuana** plants as a protected personal use did not apply to defendant, who was unlicensed and allegedly used butane to extract hash oil from **marijuana**.

People v. Sexton, 296 P.3d 157

- as matter of first impression, provision of statute which did not require written documentation of waiver governed medical **marijuana** patient-defendant's waiver of doctor-patient confidentiality during criminal trial proceedings;
- defendant, by raising affirmative defense of medical use, validly waived his doctor-patient privilege; and
- defendant did not unambiguously invoke his right to remain silent when questioned by investigators.

People v. Garcia Gonzalez

- “Land” for purposes of the cultivation statute does not include residences.
- OMG

LESSONS LEARNED

Home Grows

- No medical or recreational home grows
 - Impossible for Law Enforcement to track down patients
 - Allow black market growers to hide behind them
 - Create mold in houses
 - Diverted electricity and home grow set ups are dangerous
 - Breed violence due to protecting the product (marijuana growers all have firearms)
 - Get them out of residential neighborhoods



Caregivers

- No caregivers
 - Black market can hide behind them
- Do not let them grow
- Do not allow them to transport product



Extended Plant Count

- No extended plant counts
 - 99 plants is insane – no one can smoke that much
 - Hard for law enforcement to do their job when there are that many plants and red cards
- Growing 99 plants in a home is dangerous due to the electricity



Marijuana Enforcement Division

- Laws were written to protect the “clients”
- Processes need to be in place before the roll out
- Not enough resources at inception
- Don’t just rubber stamp licenses
- Don’t allow MED employees to jump to the private sector for a year
- Can’t have your enforcement division look at companies as “clients,” has to actually be an enforcement body



Law Enforcement & Prosecution

- Let criminals know they can't get away with out-of-state distribution
 - More Enforcement
 - Dismantle as Many DTOs as Possible –
 - One SW on one house doesn't stop the organization
 - Experienced Personnel
 - Training
 - Follow the money
 - Aggressive Prosecution
- Compliance
 - Tighter Licensing



LAW

- You are going to have to make your own caselaw
- It will be so vague and protectionist – this will be frustrating
- The Statute's will continue to change as the Legislature realizes that a Black Market has been created.

Conclusion

- If you legalize marijuana with a country or state next to you where it is not legal – you WILL create a black market
- It's not “just” marijuana
 - More violence
 - More DUIs
 - More teen marijuana use
 - More Drug Trafficking Organization
- To combat it
 - Tight Licensing
 - No home grows or patient caregivers
 - Law Enforcement Resources
 - Robust prosecution



Darcy.Kofol@gmail.com

917-544-0331